

EARNEST Partners' Mid Cap Value

Step 1: Security Selection

EARNEST Partners understands that each company is unique. For example, the characteristics that lead to good performance are different for technology and mining companies. Using an approach called *Return Pattern Recognition*[®], we identify the financial and market characteristics that have been in place when an individual company has outperformed. We screen thousands of companies and those exhibiting the set of characteristics that indicate outperformance are selected for an in-depth fundamental review.

How *Return Pattern Recognition*[®] works:

- It identifies the specific financial and market characteristics, by industry, that have preceded outperformance.
- It identifies the companies that are currently exhibiting the characteristics that have previously led to outperformance.

Step 2: Fundamental Research

The approximately 150 promising companies identified in our screening process are put through a second more rigorous review. In this step, we develop an investment thesis for each company. This thesis must be tested. The test includes conversations with the company's management team and industry specialists, review of the company's financial reports, analysis of industry and company-specific studies, and independent field research.

Fundamental review includes the following assessments:

- Is the company in a promising industry?
- Can it compete effectively?
- Do the financials support the business plan and share price?
- Will the current business environment help it succeed?
- Is the management team competent and principled?

Step 3: Risk Control

EARNEST Partners is hired to make investment decisions that outperform an assigned benchmark. Therefore, we define risk as investment performance that falls meaningfully below that target. To help manage this risk, we use a statistical approach called downside deviation. It measures the likelihood of significant underperformance. With this information, we select investments that blend together to manage downside risk.

The risk control process includes the following steps:

- Select the companies that we expect to have strong performance.
- Calculate the downside deviation (probability of underperformance) of the portfolio.
- Reconstruct the portfolio until downside deviation is within acceptable limits.

Lead Portfolio Manager

Paul E. Viera, CEO and Partner

Mr. Viera is the founder of EARNEST Partners, an investment firm responsible for overseeing more than \$15 billion for municipalities, states, corporations, endowments, sovereign wealth funds, and universities. He developed *Return Pattern Recognition*[®], the investment methodology used to screen equities at EARNEST Partners. He has a BA in Economics from the University of Michigan, an MBA from the Harvard Business School, and has over twenty-five years of investment experience. Mr. Viera was a Vice President at Bankers Trust in both New York and London. He later joined Invesco, where he became a Global Partner and senior member of its Investment Team. Mr. Viera is a member of the Council on Foreign Relations, a Board member for the National Center for Civil and Human Rights, and a member of the Atlanta Society of Financial Analysts. He is also a commentator for several news organizations, including, among others, CNBC and Bloomberg News.

City of New York Deferred Compensation Plan Fourth Quarter 2011 Report

Portfolio Performance

	<u>Gross Return</u>	<u>Net Return</u>	<u>Russell Mid Cap Value</u>
Quarter End 12/31/11:	12.99%	12.83%	13.37%
1 Year	-5.06%	-5.59%	-1.38%
Since Inception (annualized)	1.06%	0.47%	-0.95%

Portfolio Attributes

- Median Market Capitalization \$6.9 Billion
- Price Earnings Ratio 14.7x
- Forecasted Earnings Growth Rate 14.55%
- Debt to Cap Ratio 37.5%

Top Ten Holdings

- Cummins (3.80%)
- Joy Global (3.30%)
- TJX (3.26%)
- Goodrich (3.25%)
- American Tower (3.24%)
- Yum! Brands (3.17%)
- Express Scripts (3.15%)
- BorgWarner (2.96%)
- Mattel (2.90%)
- CSX (2.71%)

